Inside Information

The CEZ Group achieved profit of 41.5 billion CZK for three quarters

CEZ, the Energy Group, achieved the net profit amounted 41.5 billion CZK for three quarters of this year, the interim increase is 40 %. Higher portion of electricity production from nuclear and water sources, growth of trade prices, operation cost savings, successful strategy of security against Czech Crown consolidation as well as results of the CEZ Group abroad contributed to the increase. CEZ further assumes the amount of annual profit on the level of 48.6 billion CZK.

“As expected the financial crisis will affect the CEZ Group economy only marginally – consumption of electric power will grow, only its rate of growth will decrease. The CEZ Group solves a lack of manufacturing sources. Due to the proposed climatic – energy package on part of the European Union we have been continuously updating our plans when new arrangements lead to the future energy mix to be based especially on nuclear, gas and renewable sources. The CEZ Group disposes of a great advantage – very low debt compared to other European companies and not only the energy ones. The CEZ Group still creates a strong cash flow which enables continuing in implementation of development investments“, said Martin Roman, the Chairman of the Board of Directors and CEO of CEZ.

The CEZ Group registers significant successes abroad. An example is an agreement on strategic partnership with Akkök, the Turkish group, winning the tender for a strategic partner in the project of a gas power plant in Galati, Rumania, winning the tender for the only Albanian distributor of OSSh and especially the beginning of construction of the largest wind farm in Europe situated in the Rumanian localities of Fântânele and Cogealac.

Electricity production of CEZ, a.s. for three quarters of this year decreased in the interim terms by 2 TWh down to 45.8 TWh. Higher availability of nuclear sources and optimisation of production in the area of coal sources lead to change of the production structure – interim increase of nuclear energy by 10 % and on the other hand a decrease of coal energy by 15 %. The balance of cross-border business flows from the Czech Republic has been gradually decreasing and currently it moves the eastern direction. Export dropped by 23 % during 2 years. In previous years the consumption of Central European region grew annually by 3 %, while production only by 2 % a year.

“The current financial crisis does not change anything about our long-term dividend policy when 50 to 60 per cent from the net profit of the CEZ Group is intended for dividends. Further it is necessary to stress that our need of re-financing for next year is very low and therefore in this aspect we have no serious fear of the current financial crisis”, said Martin Novák, member of the Board of Directors and CFO of CEZ.

“Economic crisis has not so far affected the domestic electricity consumption either. Its level is below 4%. Consumption of households grew the most, by 4.8 per cent, in case of businesses and large consumers the growth is about 3 %. The electricity demand increase shows also by growth of new connections. Share of the CEZ Sale company in the market of final customers does not decrease any more also due to an advertising campaign, it remains on the level of 45%. Export of electricity from the whole Central European region will drop to zero probably already in 2012, despite the fact that the GDP growth slows down due to the financial crisis; in next years the region will be a pure importer of electricity“, added Alan Svoboda, the director of business division.

Table: Profits of the CEZ Group for I – III quarter of 2008

	(billion CZK)	interim change
Operation earnings	131.8	+ 7 %
EBITDA (Operation Earnings before Interest, Taxes, Depreciation and Amortization)	68.8	+ 25 %
Profit before Tax	52.6	+ 36 %
Profit after Tax	41.5	+ 40 %

Note: non-audited consolidated results according to the international standards of financial reporting